

TSP Catch-Up Contributions

What are “catch-up” contributions?

Catch-up contributions are supplemental tax-deferred contributions available to TSP participants age 50 or older who are already contributing either the maximum TSP contribution percentage or a dollar amount which will result in reaching the IRS elective deferral limit by the end of the year. In 2003, the maximum regular TSP contribution for FERS employees is 13 percent and for CSRS employees is 8 percent. The Internal Revenue Service (IRS) elective deferral limit for 2003 is \$12,000. For 2004, the maximum regular TSP contribution for FERS employees is 14 percent and for CSRS employees is 9 percent. The IRS elective deferral limit for 2004 is \$13,000.

Who is eligible to make catch-up contributions?

A TSP participant is eligible to make catch-up contributions as long as he or she is in a pay status; is contributing either the maximum TSP contribution percentage or a dollar amount which will result in reaching the IRS elective deferral limit by the end of the year; is age 50 or older by 31 December of the year the catch-up contribution election is made; and is not in the 6-month non-contribution period following receipt of a financial hardship in-service withdrawal.

Do catch-up contributions have an annual limit?

Yes, catch-up contributions have their own annual limit separate from the IRS elective deferral limit for regular TSP contributions. The catch-up contribution annual limits: \$2,000 in 2003; \$3,000 in 2004; \$4,000 in 2005; \$5,000 in 2006; thereafter, increases will be indexed to inflation.

Is enrollment tied to an open season?

Catch-up contribution elections are not tied to open seasons. After the program is implemented, employees will be able to start, change, stop, or restart catch-up contributions at any time, which is different from regular TSP contributions. Employees may not make catch-up contributions by increasing the percentage of their regular TSP contributions. An election to make catch-up contributions is separate from the regular TSP contribution election.

How do I sign up?

Air Force-serviced employees will make catch-up contribution elections electronically through the Employee Benefits Information System (EBIS) or the BEST phone automated system. (Hard copy election forms will not be accepted.) You will designate the amount you wish to contribute each pay period as a whole dollar amount. Percentages will not be used with catch-up contributions.

When can I make my election?

Implementation of the catch-up contributions program for each Federal agency is dependent on payroll and personnel systems being adapted to allow for catch-up contributions to be withheld. Within the Department of Defense (DoD), these systems are not expected to be ready by the dates the Thrift Savings Plan is publicizing. We anticipate the payroll and personnel systems

will be ready in September 2003, but that date is not firm. When we have a concrete implementation date, we'll let you know. Until then, catch-up contribution enrollments will not be accepted.

How do I determine how much to have deducted each pay date from September 2003 to the end of the year?

How much you want to contribute each pay period is up to you. However, to spread the contributions evenly over the remainder of the year, base the computation on the number of pay dates remaining in the calendar year. For example, assume your catch-up contribution election will be effective 7 September. There are seven pay dates remaining in the year. Yes, that's correct: seven --- because 26 September is the pay date for the pay period beginning 7 September, **not** 12 September. Based on this example, if you wish to contribute \$2,000 (the maximum for 2003), you will need to contribute \$286 each pay period.

Remember, catch-up contribution changes can be made at any time because they're not tied to an open season. If you later discover your contribution amount will result in contributing less than the maximum allowable amount by the end of the calendar year, you can always go in and increase your contribution amount.

Once I begin to make catch-up contributions, will they continue each year?

No. Catch-up contributions will automatically stop with the last pay date in the calendar year or when you reach the maximum dollar limit for the year. Because the annual IRS elective deferral limit for catch-up contributions changes each year, participants must make a new election each year.

May I write a check for catch-up contributions?

No. Catch-up contributions must be deducted from basic pay each pay period; therefore, employees must be currently employed by the Federal government and receiving pay.

What happens if I enter into a nonpay status after catch-up contributions begin?

Catch-up contributions stop while you are in a nonpay status and resume on return to pay status. You may not make up the contributions missed while in a nonpay status, but you can submit a new election increasing the catch-up contribution amount withheld each pay period and thus make the maximum catch-up contribution allowed by law for that year.

Under what circumstances may an employee make up missed catch-up contributions?

There are only a few instances. These include situations where an agency error prevents a participant from making an election to contribute to his or her TSP account, or in which an agency fails to implement a contribution election properly submitted by a participant. In addition, a participant who is reemployed under the Uniformed Services Employment and Reemployment Rights Act (USERRA) may also make up any catch-up contributions he or she did not make as a result of being called to military service. (If the participant made catch-up contributions to his or her uniformed services TSP account while on active duty, he or she may not make additional catch-up contributions in excess of the annual catch-up contribution limit.)

I'm a FERS employee. Will catch-up contributions receive agency matching contributions?

No, catch-up contributions are not eligible for agency matching contributions or for the agency automatic 1 percent contribution.

How will catch-up contributions be invested?

Catch-up contributions will be invested in the TSP funds according to your most recent contribution allocation.

How can I get more information?

Additional information can be found in TSP Bulletin 03-4, 7 Feb 03. The bulletin is located on the TSP Web site at <http://www.tsp.gov/cgi-bin/byteserver.cgi/bulletins/03-4.pdf>.